

CLEAR SKIES IN KENTUCKY¹

Human Health and Environmental Benefits of Clear Skies: Clear Skies would protect human health, improve air quality, and reduce deposition of sulfur dioxide (SO₂), nitrogen oxides (NO_x), and mercury.²

- Beginning in 2020, approximately \$3 billion of the annual benefits of Clear Skies would occur in Kentucky. Every year, these would include:

- over 300 fewer premature deaths;
- approximately 200 fewer cases of chronic bronchitis;
- approximately 8,000 fewer days with asthma attacks;
- approximately 300 fewer hospitalizations and emergency room visits;
- over 55,000 fewer days of work lost due to respiratory symptoms; and
- over 380,000 fewer total days with respiratory-related symptoms.

Clear Skies Benefits Nationwide

- In 2020, annual health benefits from reductions in ozone and fine particles would total \$93 billion, including 12,000 fewer premature deaths, far outweighing the \$6.49 billion cost of the Clear Skies program.
- Using an alternative methodology results in over 7,000 premature deaths prevented and \$11 billion in benefits by 2020—still exceeding the cost of the program.³
- Clear Skies would provide an additional \$3 billion in benefits due to improved visibility in National Parks and wilderness areas in 2020.

- By 2010, based on initial modeling:
 - Clear Skies would bring 2 counties (Jefferson and Pike—population over 700,000) into attainment with the annual fine particle standard.
 - all other counties currently projected to be out of attainment would achieve the fine particle standard under the existing Clean Air Act.⁴
 - all 13 counties currently projected to be out of attainment with the 8-hour ozone standard would attain the standard under the existing Clean Air Act.
- Clear Skies delivers numerous environmental benefits by 2020:
 - visibility would improve 1-2 deciviews throughout the entire state (a change of 1 deciview is a perceptible change in visibility);
 - sulfur deposition would decrease by 30-60% throughout much of the state;
 - nitrogen deposition, which also contributes to acid rain, would be reduced by 15-30% throughout the state; and
 - mercury deposition would decrease up to 25%.

¹ The projected impacts are the results of extensive emissions and regional air quality modeling and benefits analyses as summarized in the *Technical Addendum: Methodologies for Benefit Analysis of the Clear Skies Initiative, 2002*. While the policy analyses tools EPA used are among the best available, all such national scale policy assessments are subject to a number of uncertainties, particularly when projecting air quality or environmental impacts in particular locations.

² All human health and environmental benefits are calculated in comparison to existing Clean Air Act programs.

³ The two sets of estimates reflect alternative assumptions and analytical approaches regarding quantifying and evaluating the effects of airborne particles on public health. All estimates assume that particles are causally associated with health effects, and that all components have the same toxicity. Linear concentration-response relationships between PM and all health effects are assumed, indicating that reductions in PM have the same impact on health outcomes regardless of the absolute level of PM in a given location. The base estimate relies on estimates of the potential cumulative effect of long-term exposure to particles, while the alternative estimate presumes that PM effects are limited to those that accumulate over much shorter time periods. All such estimates are subject to a number of assumptions and uncertainties. It is of note that, based on recent preliminary findings from the Health Effects Institute, the magnitude of mortality from short-term exposure (alternative estimates) and hospital/ER admissions estimates (both estimates) may be overstated. The alternatives also use different approaches to value health effects damages. The key assumptions, uncertainties, and valuation methodologies underlying the approaches used to produce these results are detailed in the *Technical Addendum* noted above.

⁴ To permit comparisons among various analyses, the air quality data used in this analysis was fixed as the most complete and recently available as of mid-2001 (1997-1999 ozone monitoring data and 1999-2000 PM_{2.5} data). More complete and more recent air quality data for ozone and fine particles (1999-2001 data) indicates some differences in the likely attainment status of some counties. Future analyses of Clear Skies will incorporate the most recent data available.

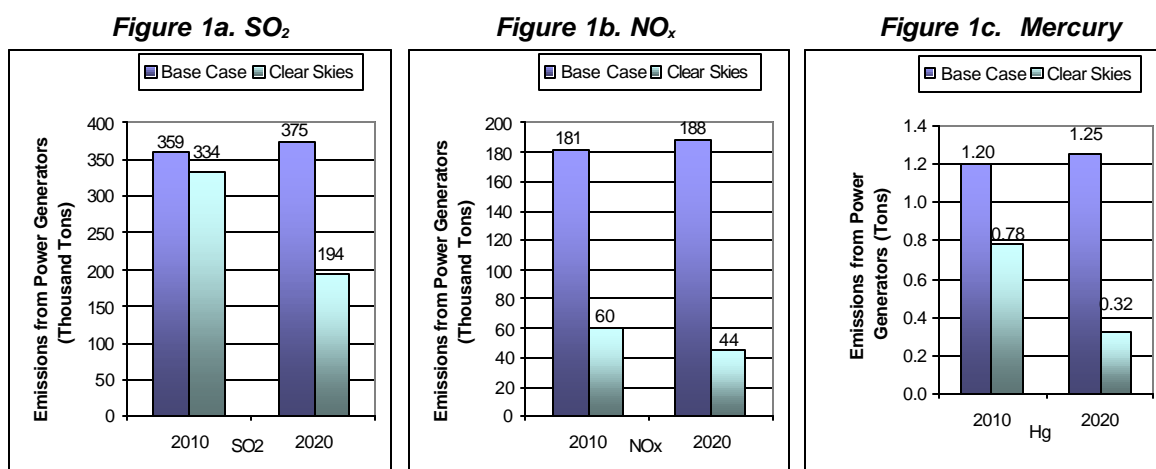
Changes in Emissions Under Clear Skies: Clear Skies is projected to result in significant emissions reductions from power generators by 2020.

- In Kentucky, Clear Skies is projected to significantly reduce emissions from power generators by 2020 (relative to 2000 emissions):
 - SO₂ emissions would be reduced by 67%;
 - NO_x emissions would be reduced by 82%; and,
 - mercury emissions would be reduced by 82%.

Nationwide Emissions under Clear Skies in 2020

- SO₂ emissions from power generators are projected to be 3.9 million tons (a 65% reduction from 2000 levels).
- NO_x emissions are projected to be 1.7 million tons (a 67% reduction from 2000 levels).
- Mercury emissions are projected to be 18 tons (a 63% reduction from 2000 levels).
- At full implementation, the emission reductions would be 73% for SO₂, 67% for NO_x, and 69% for mercury.

Figures 1a, 1b and 1c. Existing Clean Air Act Regulations (base case⁵) vs. Clear Skies in Kentucky in 2010 and 2020



- Emissions rates in Kentucky in 2010 and 2020:

Table 1. Projected Emissions Rates in 2010 and 2020 in Kentucky from Power Generators

Year		SO ₂	NO _x			Hg
		Coal	All	Coal	Gas	Coal
		lbs/MMBtu	lbs/MMBtu	lbs/MMBtu	lbs/MMBtu	lbs/TBtu
2010	Base Case	0.74	0.37	0.37	0.10	2.46
	Clear Skies	0.70	0.12	0.12	0.04	1.63
2020	Base Case	0.74	0.36	0.37	0.10	2.47
	Clear Skies	0.40	0.08	0.08	0.05	0.66

Costs: Nationwide, the projected annual costs of Clear Skies (in \$1999) are \$3.69 billion in 2010 and \$6.49 billion in 2020. EPA cannot calculate cost at a State level.⁶

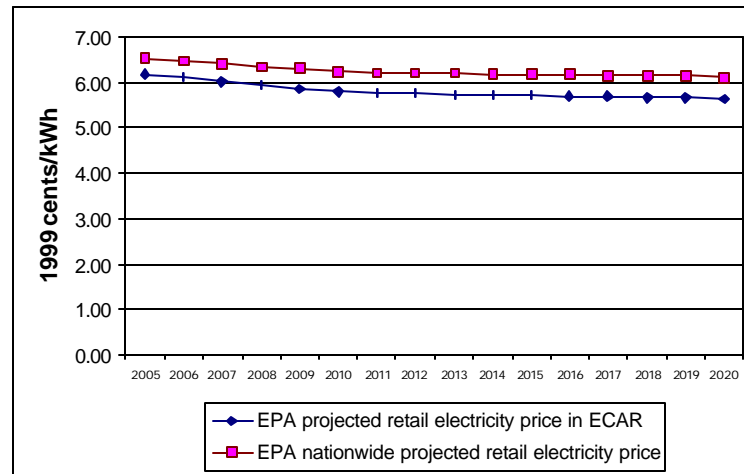
⁵ The base case includes Title IV, the NO_x SIP call and State-specific caps in CT, MO and TX. It does not include mercury MACT in 2008 or any other potential future regulations to implement the current Clean Air Act.

⁶ EPA uses the Integrated Planning Model (IPM) to project the economic impact of Clear Skies on the power generation sector. IPM disaggregates the power generation sector into specific regions based on properties of the electric transmission system, power market fundamentals, and regional environmental regulations. These regions do not conform to State or EPA region boundaries making some compliance options, such as dispatch, and associated costs impractical to differentiate at a State or Regional level.

Changes in Projected Retail Electricity Prices Under Clear Skies: Electricity prices in Kansas would not be significantly affected by Clear Skies.

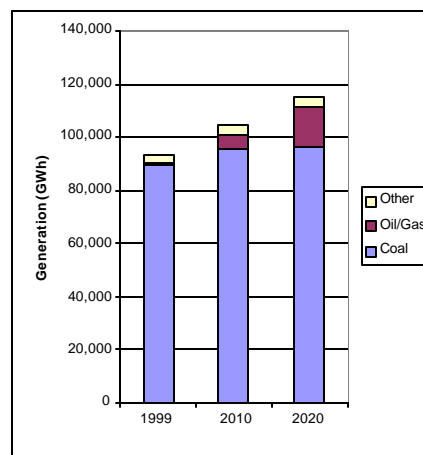
- In 1999, the average retail electricity price in Kentucky was approximately 4.17 cents/kWh, which was less than the average *national* retail price of approximately 6.66 cents/kWh.⁷ As shown in Figure 3, retail prices in ECAR (the North American Electric Reliability Council (NERC) region that contains Kentucky⁸) are projected to decrease and remain below the national average between 2005 and 2020.⁹

Figure 2. *Projected Retail Electricity Prices in ECAR under Clear Skies (2005-2020)*



Generation in Kentucky Under Clear Skies: Coal-fired power plants currently produce 97% of the electricity generated in Kentucky. Although coal-fired generation would continue to increase in the future under Clear Skies, the portion of total generation from coal-fired plants would decrease. In Kentucky, coal-fired generation would decrease to approximately 91% of all generation by 2010 and 84% of all generation by 2020.

Figure 3. *Current and Projected Generation by Fuel Type in Kentucky under Clear Skies (GWh)*¹⁰



⁷ Source: 1999 EIA data at http://www.eia.doe.gov/cneaf/electricity/page/fact_sheets/retailprice.html.

⁸ Kentucky falls under NERC regions ECAR and SERC. The region shown in the graph represents the larger capacity share of the state.

⁹ State-level retail electricity prices vary considerably across the United States. Variation in prices can be caused by many factors including access to low cost fuels for generating power, State taxes, and the mix of power plants in the States.

¹⁰ Source: 1999 data from EIA at http://www.eia.doe.gov/cneaf/electricity/st_profiles/kentucky/ky.html#t5 (Table 5).

- EPA does not project that any facilities in Kentucky would switch from coal to natural gas in response to the Clear Skies emissions caps. Instead, sources in Kentucky would reduce their emissions through the installation of control technologies:
 - By 2010, coal-fired capacity in Kentucky is projected to be approximately 13,900 MW under Clear Skies. Approximately 10,700 MW of Kentucky's coal capacity are projected to install Selective Catalytic Reduction (SCR) and 900 MW are projected to install scrubbers.
 - Between 2010 and 2020, an additional 1,300 MW are projected to install SCR and 3,800 MW are projected to install scrubbers.
- 83% of Kentucky's coal-fired generation comes from coal units with emission control equipment in 2010, and 93% in 2020.¹¹

Coal Production in Kentucky: Kentucky currently produces approximately 13% of the nation's coal supply, and has about 6% of the nation's coal reserves.¹²

- EPA projects a *nationwide* 7.2% increase in coal production by 2020, relative to 2000. Preliminary analysis shows an increase in total coal production in Appalachia between 2000 (421 million tons) and 2020 (461 million tons) of 9.5%.¹³
- Based on preliminary analysis, EPA projects a slight increase in jobs by 2020 in Appalachia under Clear Skies, relative to the base case.

Major Generation Companies in Kentucky: The ten largest plants in the State -- each over 500 MW -- are a combination of coal-, petroleum- and gas-fired units. The major generating companies include: Kentucky Utilities Co., Louisville Gas & Electric Co., Kenergy Corporation, Electric Energy, Inc., and Tennessee Valley Authority.

¹¹ Emissions control equipment includes, where applicable, scrubbers, selective catalytic reduction, selective non-catalytic reduction, gas-reburn and activated carbon injection.

¹² Source: 2000 Coal Industry Annual, Tables 1 and 33.

¹³ Because coal supply regions generally do not conform to State boundaries, it is impractical to project coal production at a State-level.